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SUBJECT: KAZAKHSTAN - NAZARBAYEV DISCUSSES RUSSIA-GEORGIA
SITUATION AND MADRID COMMITMENTS IN SPEECH TO PARLIAMENT

11. (U) Summary: In a September 2 speech to Parliament, President Nazarbayev called for negotiations on the Georgia conflict based on Sarkozy's six points and fundamental principals of international law. He publicly discussed Kazakhstan's Madrid commitments for just the second time, promising that amendments to Kazakhstan's election, political party, and media laws would soon be introduced to Parliament. Nazarbayev devoted the bulk of his remarks to socio-economic issues, explaining that the proposed new tax code would significantly reduce the corporate income tax rate and pledging major increases in pension payments and salaries for government employees. End Summary.

12. (U) President Nazarbayev delivered an address to Parliament on September 2, opening its latest session. He began his speech by discussing the situation in Georgia. Nazarbayev explained that in circumstances of a "one-sided assessment" of events by the West, "Kazakhstan had declared its support for the measures taken by Russia to "ensure stability in the region and stop the bloodshed." At the same time, he called upon the parties to move to negotiations on the basis of the six points affirmed by Presidents Medvedev and Sarkozy. Nazarbayev also appealed to the West and Russia to "refrain from mutual rebukes and threats" and to negotiate based on "the supremacy of the fundamental principles of international law." (Note: During a September 3 press conference following a meeting in Astana with German President Horst Koehler, Nazarbayev said he was convinced the conflict could not be resolved by talks just involving Russia and Georgia or Russia and Europe. Rather, a multilateral organization would need to be involved, with participation from the EU, U.S., Russia, and Georgia. Nazarbayev said that Kazakhstan is also ready to participate, if necessary, as a country acceptable to all sides. He described the latest EU statement on the situation as "balanced." Nazarbayev added that Kazakhstan would not support unilateral criticism of Russia, as Kazakhstan viewed "with understanding" the measures taken by Russia to stop the bloodshed in the region. End Note.)

13. (SBU) In his address to Parliament, Nazarbayev publicly discussed Kazakhstan's Madrid commitments on democratic reform for just the second time, to an extent repeating his June 29 remarks to the OSCE Parliamentary Assembly session in Astana. He explained that it is necessary to establish a legal mechanism that would allow for the formation of a two-party Parliament, even if a second party does not reach the seven percent threshold for winning seats. Nazarbayev maintained, however, that the domination of Parliament by his Nur Otan Party is a "decision of the people" and "recognition of the results of our work during the years of independence." He said that it is necessary to "remove excessive bureaucratic barriers regulating the media," but stressed that the government must ensure that media activities "do not interfere with human rights." He argued that freedom of speech is "the right to speak the truth" and that no kind of political slogans should be used as a cover for "lies, libel,

or the promotion of inter-ethnic or social discord." Nazarbayev promised that bills amending Kazakhstan's laws on elections, political parties, and the mass media would all be introduced to Parliament in the "nearest time." (Note: Prime Minister Masimov told visiting SCA Assistant Secretary Boucher on September 2, and repeated to the Ambassador on September 3, that all the legislation would be passed by year's end -- which is a very ambitious schedule. End Note.) Nazarbayev said that the passage of this legislation would become "an important step in the framework of political reform in our country."

14. (U) Nazarbayev devoted the bulk of his speech to socio-economic issues. He stressed that the global economic crisis was still ongoing and warned that Kazakhstan would likely continue to suffer from its effects. Turning to the issue of the "dolshiki" (i.e., individuals who paid money to construction companies for apartments that were not built or completed), Nazarbayev said that while the government did not bear direct responsibility for the problem, it could not leave its citizens in misfortune. The government has already allocated 157 billion tenge (over \$1.3 billion) just to complete construction projects in Astana and Almaty.

15. (U) Nazarbayev outlined several priorities in the economic sphere, including proposed new tax and budget codes, as well as new legislation on competition. He explained that the new tax code would decrease the tax burden on the non-extractive sector, while maintaining the government's revenue base through increased output from the extractive sector. Nazarbayev said that the new tax code would reduce the corporate income tax rate from its present 30 percent level to just 15 percent in 2011. He promised that pension

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payments would rise 25 percent in 2009 and 2010, and 30 percent in 2011 -- as would salaries for state employees. Explaining that all the proposed socio-economic measures had been part of Nur Otan's electoral platform, he argued that Nur Otan has once again demonstrated that it is a party of real deeds, whose words do not deviate from its deeds.
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